

**REPORT OF THE AUDIT OF THE
BOURBON COUNTY
CLERK**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOURBON COUNTY CLERK

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Bourbon County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$20,704 from the prior year, resulting in excess fees of \$22,077 as of December 31, 2005. Revenues increased by \$405,110 from the prior year and expenditures increased by \$384,406.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie Foley, Bourbon County Judge/Executive
Honorable Richard S. Eads, Bourbon County Clerk
Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Bourbon County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2006, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Donnie Foley, Bourbon County Judge/Executive
Honorable Richard S. Eads, Bourbon County Clerk
Members of the Bourbon County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Bourbon County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 26, 2006

BOURBON COUNTY
 RICHARD S. EADS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Library and Archives Grant	\$	14,225	
State Fees For Services			8,258
Fiscal Court			9,406
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	538,943	
Usage Tax		2,534,941	
Tangible Personal Property Tax		1,620,516	
Other-			
Fish and Game Licenses		4,143	
Marriage Licenses		5,003	
Occupational Licenses		455	
Deed Transfer Tax		109,504	
Delinquent Tax		100,006	
			4,913,511
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		12,349	
Real Estate Mortgages		40,084	
Chattel Mortgages and Financing Statements		55,207	
Powers of Attorney		1,532	
Passports		9,645	
All Other Recordings		24,494	
			143,311
Charges for Other Services-			
Copywork		6,812	
Filing Fees		250	
			7,062
Other:			
Miscellaneous		24,862	
Employee Health Insurance Premium Reimbursement		3,454	
			28,316
Interest Earned			6,343
Total Revenues			5,130,432

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY
 RICHARD S. EADS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	393,013	
Usage Tax		2,461,945	
Tangible Personal Property Tax		595,310	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		4,017	
Delinquent Tax		17,413	
Legal Process Tax		16,305	
Candidate Filing Fees		6,760	\$ 3,494,763

Payments to Fiscal Court:

Tangible Personal Property Tax	175,721	
Delinquent Tax	14,231	
Deed Transfer Tax	104,028	
Occupational Licenses	120	294,100

Payments to Other Districts:

Tangible Personal Property Tax	784,981	
Delinquent Tax	43,524	828,505

Payments to Sheriff 914

Payments to County Attorney 14,516

Operating Expenditures:

Personnel Services-

Deputies' Salaries	291,355
Part-Time Salaries	1,475

Employee Benefits-

Employer's Share Social Security	26,717
Employee's Paid Health Insurance	1,600

Contracted Services-

Fish and Game	5,477
Library and Archives Grant	14,225
Tax Bill Preparation	1,200
Advertising	319
Printing and Binding	8,714

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY
 RICHARD S. EADS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Materials and Supplies-			
Office Supplies	\$	15,776	
Other Charges-			
Telephone		3,026	
Conventions and Travel		3,486	
Dues		900	
Postage		98	
Maintenance and Repairs		5,318	
Insurance		4,794	
Refunds		17,213	
		<u>17,213</u>	\$ 401,693
Total Expenditures			<u>\$ 5,034,491</u>
Net Revenues			95,941
Less: Statutory Maximum			<u>67,070</u>
Excess Fees			28,871
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,194</u>	<u>6,794</u>
Excess Fees Due County for 2005			22,077
Payment to Fiscal Court: February 9, 2006			<u>21,013</u>
Balance Due Fiscal Court at Completion of Audit*			<u><u>\$ 1,064</u></u>

*Note: The County Clerk presented a check to the County Treasurer for the balance due Fiscal Court on June 26, 2006.

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOURBON COUNTY
RICHARD S. EADS, COUNTY CLERK
NOTES TO FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOURBON COUNTY
 RICHARD S. EADS, COUNTY CLERK
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2005
 (Continued)

Note 4. Grant

The County Clerk received a local records microfilming grant from Kentucky Department for Libraries and Archives. The unexpended grant balance was \$14,225 as of December 31, 2004. Grant funds totaling \$14,225 were expended throughout 2005 leaving an unexpended grant balance of \$0 as of December 31, 2005.

Note 5. Leases

The Clerk's office was committed to the following lease agreement as of December 31, 2005:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term Of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 2005</u>
Copier	\$ 237	48 Months	August 2008	\$ 7,575

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie Foley, Bourbon County Judge/Executive
Honorable Richard S. Eads, Bourbon County Clerk
Members of the Bourbon County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bourbon County Clerk for the year ended December 31, 2005, and have issued our report thereon dated June 26, 2006. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bourbon County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bourbon County Clerk's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 26, 2006

